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California Legislature

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March 31, 1977

Letter Report 298

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
925 L Street, Suite 750
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to a resolution of the Joint Legislative Audit Committee, we have reviewed the provision of water, garbage collection and sewage disposal services to residents of mobile home parks in California. This review was conducted under authority vested in the Auditor General by Section 10527 of the Government Code.

Assembly Concurrent Resolution No. 230, which was adopted in the State Assembly on August 13, 1976, and in the State Senate on August 30, 1976, stated that:

- California's mobile home parks provide for greater utilization of land in urban areas through greater density of dwelling units.
- The residents of California's mobile home parks, like all other citizens, are affected by the increasing costs of governmental services.
- A study by the City of Sacramento indicates that approximately one-third less effort is involved collecting refuse cans in mobile home parks than the comparable can collection at family residences.
- The City of Sacramento has reduced by 33 percent the cost per month per can for collection of refuse in mobile home parks.
- A study for the Santa Cruz County Sanitation District showed that water consumption by residents of mobile home parks is 40 to 60 percent of the amount consumed by a similar number of conventional single-family dwelling units.

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The Assembly Concurrent Resolution directed the Auditor General to study the costs of providing water, garbage collection and sewage disposal services to residents of mobile home parks and the actual charges made or approved therefor by cities, counties or special districts. The resolution directed that such reports be made to the Legislature before March 31, 1977.

There are approximately 6,400 mobile home parks in California, containing spaces for approximately 370,000 mobile homes. Mobile home parks are located throughout the State with the largest concentration in Southern California. Approximately 40 percent of the mobile home parks in California and 49 percent of the total available spaces are located in the counties of Los Angeles, San Diego, Riverside, Orange and San Bernardino.

California has 58 counties, 412 cities, 1,090 special districts and approximately 700 private companies that are authorized to provide water, garbage collection and/or sewage disposal services. Water services are provided by 908 special districts, 250 city water utilities and 386 privately-owned water utilities. Refuse collection services are provided by 218 cities, approximately 310 private collection companies, three special refuse collection districts and one county -- Sacramento. Sewage disposal services are provided by 559 special districts, 235 cities and 51 counties.

The scope of this study was limited to providers of water and garbage disposal services. This limitation was imposed because current federal regulations and recently enacted state guidelines should ensure that charges for sewage disposal services for a majority of mobile home residents in California will be based on the cost to provide that service. Any additional work in this area by our office would represent a duplication of effort.

Our study of water and garbage disposal services was limited to examining cost information submitted by various providers of water service in California and surveying providers of garbage disposal service to determine if the situation in Sacramento, as stated in ACR No. 230, was pervasive throughout the industry. These limitations were necessitated by the sheer volume and diversity of mobile home parks and providers of services throughout California.

The Office of the Auditor General wishes to express its gratitude to the many people and agencies who contributed to the preparation of this report.

SEWAGE DISPOSAL SERVICES

Recently enacted state guidelines and current federal law should ensure that charges to a majority of mobile home residents in California for sewage disposal services will be based on the cost to provide that service.

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The Federal Water Pollution Control Act Amendments of 1972 provided federal funds for the construction of revenue-producing waste treatment facilities. One of the provisions of this law is that no grant shall be approved until the applicant has adopted or will adopt a system of charges to assure that each recipient of waste treatment services will pay his/her proportionate share of the costs to provide that service.

The Revenue Program Guidelines for Wastewater Agencies adopted by the California State Water Resources Control Board on January 20, 1977, states that an applicant may be any city, county, district or other public body. The guidelines also state that the applicant's revenue program must be in compliance with federal regulations regarding user charges. Accordingly, the applicant must develop a system of charges to assure that each recipient of waste treatment services will contribute to the annual revenue requirements in proportion to the demands each places upon the system.

The current methods by which local governments and special districts obtain financing are quite diverse. They may prescribe, revise and collect fees, tolls, rates, rentals or other charges for services and facilities. They also may levy and collect, or cause to be levied and collected, taxes for the purpose of supporting their operations and for paying debts. In some instances a combination of funding sources may be used.

Those providers of sewage collection services who participate in the federal grant program will no longer have an option as to which funding mechanism they will use. The use of any ad valorem tax system is specifically prohibited and a user charge system must be adopted.

The State Water Resources Control Board forecasted in their November 1976 Status of Grant Projects report that California will receive 526 federal grants for the construction of revenue-producing waste treatment facilities totaling approximately \$3 billion. Special districts that have or will participate in these federal grants generate at least 55 percent of all operating revenue for sewage disposal districts in California. Of the cities which provide sewage collection and disposal services, 79 percent will participate in the federal grant program. The five California counties that have the largest concentration of mobile homes will receive a combined total of approximately \$1.3 billion in federal grants for the construction of revenue-producing waste treatment facilities.

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CONCLUSION

The Federal Water Collection Control Act Amendments of 1972 and the Revenue Program Guidelines for Wastewater Agencies, which were adopted by the California State Water Resources Control Board on January 20, 1977, should ensure that a majority of mobile home park residents in California will be equitably charged for sewage disposal services.

WATER SERVICES

A vast majority of mobile home residents in California are being charged for water based upon their actual usage. Providers of water service in the State generally do not differentiate between types of residential users, i.e., private residences, mobile homes or apartments, when charging for the amount of water consumed.

Water services are provided to Californians by approximately 1,500 different agencies, the largest group being special water districts. These districts may be formed under any of more than 30 general acts, and a large number have been created by special acts. Cities and privately-owned water utilities are the other two major water providers. Special districts and cities alone reported revenues in excess of \$860 million during 1974-75.

About 90 percent of California's population lives in areas which meter water. Most of the Central Valley population, however, is not metered and is assessed a flat rate. Though the majority of the users are metered, variety still exists in the type of rate structures used to bill customers. For example, some areas assess a uniform rate whereby each unit of water costs the same amount. Another method, the Declining Block Rate, provides that customers are charged a specific amount for an initial quantity or "block" of water. The rate for each additional block of water decreases as water usage increases. At the other end of the spectrum is the Increasing Block Rate method in which, like the Declining Block Rate, a specific charge is made for an initial block of water; however, as water usage increases, so do the rates for each additional block of water. In some areas of California a Seasonal Rate is used to bill for water. Under this concept the customer is charged a uniform rate for a specific quantity of water; that quantity, however, fluctuates during the year based upon demands that are placed on the water system. Any water that is consumed above the specific quantity allowed is charged at a higher rate. Some utilities impose a minimum monthly charge which entitles their customers to a minimum quantity of water. Other companies have a flat monthly service charge and additional charges are made for each cubic foot of water used.

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The most common billing rate method in California at the present time is the Declining Block Rate. Of the 235 cities which reported the nature of their water rate structure, only 30 were using a flat rate method. The remainder were on some version of a water usage method.

Privately-Owned Water Utilities

The rates charged for water by privately-owned water utilities are monitored and approved by the Public Utilities Commission. The Commission reviews financial data, which are prepared by the utility companies, in order to determine if the rates charged by the companies to their customers are supportable and justified.

Diversity of Rates Charged to Customers

Water rates vary significantly within California. A review of selected private utilities revealed a wide diversity in the rates charged. For example, if a water user consumed 10,000 cubic feet of water in one month, the charges to the customer could vary from \$90.60 to \$5.40, depending on the company supplying the water. This wide disparity in charges is the result of differences in the minimum monthly charge imposed on consumers by the private utility companies and in the cost of each unit of water consumed. In this example one utility imposed a minimum monthly service charge of \$18.00 which entitled its customers to 600 cubic feet of water. The service charge for the next 1,400 cubic feet of water used was \$.90 per 100 cubic feet, and \$.75 for every 100 cubic feet of water consumed thereafter. The other utility company imposed a flat monthly service charge of only \$5.40 which entitled its customers to unlimited amounts of water.

The rates charged by cities also reflect significant cost variances. Minimum charges ranged from \$10.50 to \$.90 per month.

In general, the cost of water in California depends on the type of rate structure employed by the provider, the size of the water meter used to measure usage and the water consumer's location within the State. Generally, the type of customer, i.e., private residence, mobile home, apartment, etc., has no impact on the cost of water because in most cases no differentiation is made between types of residential users.

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Impact on Mobile Home Residents

In California, mobile home parks usually have one large meter to measure water usage. Under these circumstances, water service providers bill the mobile home park management for the water consumed. The cost of water service is then assessed on the mobile home residents in the form of rent payments. In those limited cases where individual mobile home residents are billed directly for water usage, the cost of water service for each mobile home is directly related to the amount of water consumed.

CONCLUSION

In California the cost of water service for a majority of mobile home residents is directly related to the amount of water actually consumed.

REFUSE SERVICE

The majority of refuse collection and disposal services in California are provided by cities and private companies. There is only limited participation by special districts and counties. Cities may contract with private companies to provide refuse collection and disposal services.

The City of Sacramento recently reduced its charge to mobile home residents for providing refuse service. This reduction resulted from a study which revealed that it requires less time and effort to provide refuse services to mobile homes compared to conventional private residences. Our survey of refuse collection companies throughout California indicates that in some instances mobile home parks do, in fact, require less effort and time than conventional family dwellings.

To determine if less effort and time are required to provide refuse service to mobile homes as compared to conventional family dwellings, we mailed questionnaires to 310 privately-owned refuse collection companies located throughout the State. A copy of the questionnaire is shown in Appendix A.

Of the 131 companies that responded to the survey, 67 companies reported that they provide can collection services to both mobile home and conventional single-family dwellings. Of these companies, less than half responded that service time, effort and resultant charges were the same for mobile homes and single-family dwellings; the remainder of the companies reported some differences in either service time, effort or resultant charges.

The following table summarizes the responses of the 67 companies.

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SUMMARY OF RESPONSES FROM THE COMPANIES
THAT PROVIDE SIMILAR SERVICES TO BOTH
MOBILE HOME AND CONVENTIONAL SINGLE-
FAMILY DWELLINGS

<u>Response</u>	<u>Percentage of Respondents</u>
Service time, effort and rates are less for mobile homes than single-family dwellings	13
Service time and effort are the same for mobile homes and single-family dwellings but mobile homes are charged less	20
Service time, effort and charges are different for mobile homes compared to single-family dwellings	22
Service time, effort and charges are the same for mobile homes and single-family dwellings	<u>45</u>
Total	<u>100%</u>

Some of the companies surveyed also commented on the volume of refuse generated and the time required to pick up refuse from mobile home parks as opposed to single-family residences. Twelve of the companies surveyed reported that mobile home parks generate less refuse than single-family residences; however, none of the companies reported that the reverse was true. A diversity of opinion exists on the issue of the time required to pick up refuse. Nine of the surveyed companies reported less service time or effort was required for mobile homes, while five companies reported that mobile homes required more refuse pick-up time or effort.

It should also be noted that 83 percent of the surveyed companies reported that they bill the park manager or owner directly. Any benefits derived from refuse rate reductions or discounts should, therefore, accrue to individual park residents in the form of reduced space rental charges.

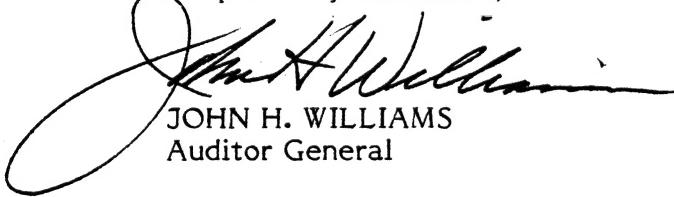
A summary of the survey results is included in Appendix B.

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CONCLUSION

Based upon the results of our survey of refuse collection companies, service time and effort are generally the same for mobile homes and single-family dwellings. However, in some instances less effort and time is required to provide refuse services to mobile homes than conventional single-family dwellings. This conclusion is supported by a recent study prepared by the City of Sacramento. Such economies are largely dependent upon the nature of the refuse services that are provided to mobile home parks by the refuse collection service.

Respectfully submitted,



JOHN H. WILLIAMS
Auditor General

Staff: Gerald A. Silva
 Charles A. Dobson

1. Does your company provide services to mobile home parks?

Yes No If no, do not continue.

2. What type of customer are mobile home parks considered?

Residential Commercial Other (specify)

3. What type of service is provided?

Can Bin Other (specify)

4. Are mobile home park residents billed direct or is billing made to park managers?

5. If mobile home parks are residential accounts with can service, are the services and charges the same as those for conventional single family dwellings? Yes No
If no, please explain differences in either services provided to mobile home residents compared to single family dwellings, or rates charged.

Comments would be appreciated:

SURVEY RESULTS OF PRIVATE PROVIDERS OF REFUSE COLLECTION

1. Customer Classification of Mobile Home Parks

<u>Response</u>	<u>Number of Responses</u>	<u>Percent</u>
Residential	30	29.7
Commercial	48	47.5
Both	<u>23</u>	<u>22.8</u>
Total	<u>101</u>	<u>100.0</u>

2. Type of Service Provided

<u>Response</u>	<u>Number of Responses</u>	<u>Percent</u>
Can	9	8.9
Bin	34	33.7
Both	<u>58</u>	<u>57.4</u>
Total	<u>101</u>	<u>100.0</u>

3. Services Billed To

<u>Response</u>	<u>Number of Responses</u>	<u>Percent</u>
Resident	2	2.0
Park Manager	84	83.2
Both	<u>15</u>	<u>14.8</u>
Total	<u>101</u>	<u>100.0</u>

4. Comparability of Service and Rates to Other Types of Users

<u>Category</u>	<u>Can</u>	<u>Bin</u>	<u>Total</u>	<u>Percentage</u>
Service and Rate - Same	30	77	107	67.3
Service and Rate - Different	9	4	13	8.2
Service Same - Rate Lower	22	6	28	17.6
Apartment Rate	<u>6</u>	<u>5</u>	<u>11</u>	<u>6.9</u>
Total	<u>67</u>	<u>92</u>	<u>159</u>	<u>100.0</u>